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SUBJECT: TURKISH CONGLOMERATE AND TRADE GROUPS WEIGHING SYRIAN INVESTMENT

REF: A. O'DOWD REID E-MAIL FEB 7

[1B.](#) ADANA 35

[11.](#) (SBU) Summary and guidance request: AMCON Adana in the last three weeks has engaged with a large Turkish conglomerate and a regional trade group whose members are considering investment in Syria, primarily Aleppo, to familiarize the parties with the U.S. sanctions against Syria. So far no large players seem to be deciding to invest aggressively in cross-border joint ventures, but the issue is still on the regional trade agenda as Turkey and Syria consider ratification of a recent trade agreement. We will continue to present such U.S. views on doing business with Syria, but we would welcome more specific guidance. End Summary and guidance request.

[12.](#) (SBU) In meetings on February 4 and 23, each with one of the two Konukoglu brothers running the large SANKO group in Gaziantep - one of Turkey's top ten industrial conglomerates and a worldwide textile player - AMCON Adana PO has encountered questions about U.S. sanctions against Syria, U.S. policy vis-`-vis Syria and the risks to the group should they pursue investments in Syria. The two brothers recounted pressure that they have received from the Syria government to make capital investments in Syria within the context of the new Turkish-Syrian trade agreement and against the backdrop of their ongoing importation of Syrian cotton and export of edible oils to Syria. One outlined possible interest in investing in ready-mix concrete and cement business and the possible transfer of less energy efficient yarn and textile processing to Aleppo.

[13.](#) (SBU) In both discussions, AMCON Adana PO drew on press guidance to explain U.S. concerns about Syrian support for terrorism, lack of constructive role in the peace process, relationship with Iraqi FRE's, questionable relationship to Iran and U.S. and U.N. concerns about Syria's continuing presence in Lebanon. AMCON Adana PO also familiarized the two Konukoglu brothers with the Office of Foreign Asset Control (OFAC) websites on Syria and explained the risk that a potential capital venture in Syria inadvertently could lead them to be connected with Syrian specially designated nationals, such as those listed by OFAC. Based on communications with Embassy Damascus, AMCON Adana also discussed rising labor wage rates and energy cost trends in Syria to illustrate the potential fleeting nature of perceived advantages for some industries weighing investments in Syria.

[14.](#) (SBU) The two brothers appeared split in their opinions about investing in Syria. One clearly wanted to avoid investing in Syria and the other seemed to be keeping his options open. However, neither seemed enthusiastic about being in business in Syria, and even the more non-committal brother was soberly appraising the pitfalls that PO outlined.

[15.](#) (SBU) The Gaziantep Chamber of Industry President attended the February 4 meeting and seemed eager to learn U.S. thoughts on investing in Syria. AMCON Adana PO followed up in a separate meeting with the Industry Chamber's general secretary to illustrate the information on the OFAC site and to discuss the para. 3 issues should other chamber members be entertaining similar moves.

GoT regional investment incentives in mix, too

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[16.](#) (SBU) One Konukoglu brother also raised the GoT's continued deliberations on domestic regional investment incentive plans (ref. B) and how he thought current draft proposals were too generous and too expensive for the GoT treasury. He said that his conglomerate could "live with" incentives which gave nearby provinces 10 to 15 percent investment breaks, such as through reduced taxes or subsidized energy provision, but the proposal to increase incentives were "unfair and anti-competitive" he noted. He said such incentive plans also were distorting investment plans in Gaziantep and elsewhere in southeast Turkey. (Note: this is also the case in Adana province where some small Adana-based capital investment in plant already is shifting to neighboring Osmaniye. End Note.)

